



## 2 Canadian Pot Stocks Trading Below \$1

### Description

The bear market in the cannabis space has extended to November 2019. Several investors have lost considerable value after the market peaked in October last year.

A few stocks have lost close to 90% in market value and are trading at multi-year lows. There are varied opinions regarding the end of the current bear run, as few believe pot stocks to be overvalued even at current levels.

Here we look at two Canadian penny stocks in the marijuana space. The two companies are **The Green Organic Dutchman** (TSX:TGOD) and **Auxly Cannabis Group** (TSXV:XLY). While TGOD is trading at \$0.95, Auxly Cannabis is trading at \$0.69.

Penny stocks are generally micro-cap stocks that have low stock prices (generally below \$1) but with the potential to gain exponentially. We know that the cannabis space continues to grow as several countries are legalizing recreational and medical marijuana products.

### The Green Organic Dutchman

TGOD went public on May 4, 2018, and closed trading at \$3.95 that day. The stock rose to \$8.25 by September 2018 and has since lost 88% in market value.

TGOD investors were impacted after it lost 45% in October 2019 after the company announced it is struggling to raise debt capital.

The stock also fell this month after [lower than expected revenue figures](#) in the third quarter of 2019. However, TGOD announced it has secured debt funding of \$103 million to finance the construction of its Valleyfield and Ancaster facilities.

Several financial institutions are wary of lending to cannabis companies, as these products are still illegal at the federal level in the U.S.

This may soon change, however, as the U.S. House of Representatives [passed a bill legalizing marijuana](#) at the federal level. The bill still has to be approved by the Senate, which might take longer than expected.

TGOD stock is currently valued at \$262 million or 11.2 times forward sales. Analysts expect company sales to rise by 1,100% to \$23.33 million in 2019 and 500% to \$139.15 million in 2020.

There is a good chance that TGOD will miss these estimates at least in the December quarter given the slow rollout of retail stores across Canadian provinces. Analysts tracking TGOD have a 12-month target price of \$3.24 for the stock, 241% higher than the current trading price.

## Auxly Cannabis

Auxly went public on January 29, 2015, and closed trading at \$0.02 that day. The stock rose by a staggering 12,500% to \$2.53 by January 2018 and has since lost 73% in market value. Despite the decline in the last two years, however, Auxly stock has returned over 3,000% since the IPO.

Auxly has estimated the marijuana market in Canada to expand from \$6 billion in 2019 to \$11 billion in 2025. Looking at the expanding addressable market, Auxly has increased its supply to 100,000 kilograms per annum. This includes production from wholly-owned subsidiaries, joint ventures, and offtake agreements.

Auxly is excited about its portfolio of products, which will accelerate revenue growth across domestic and international markets.

Auxly stock is currently valued at \$433.5 million, or 74 times forward sales. Analysts expect company sales to rise by 939.6% to \$5.85 million in 2019 and accelerate to 3051% to \$184.44 million in 2020. We can see that Auxly's astonishing valuation is supported by an equally robust growth rate.

Analysts tracking Auxly have a 12-month target price of \$1.23 for the stock which is 78% higher than the current trading price.

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